



中国铁建

中國鐵建高新裝備股份有限公司

CRCC HIGH-TECH EQUIPMENT CORPORATION LIMITED

(於中華人民共和國註冊成立的股份有限公司)

(A joint stock company incorporated in the People's Republic of China with limited liability)

股份代號 Stock Code: 1786



2017 中期報告
Interim Report

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Business Review and Prospect

2017 is an important year for the Company's implementation of the 13th Five-Year Development Plan. In accordance with the development ideas of "strengthening main business, emphasizing related business and expanding into diversified business", the Company dedicates to implement "second venture". The Company overcomes the obstacles and difficulties and brings innovations to its strategic management, management reform, technological innovation, industrial transformation and others to achieve the new landscape and new space featuring the complementary of multi-industries and the integration of development.

In the first half of 2017, facing the delay in tendering of railway industry and other short-term issues, the Company encountered unprecedented challenges and the operating pressure unexpectedly increased. In the first half year, due to the lack of manufacturing tasks, both the operating income and net profit fell significantly compared with the same period of last year and only the market growth of business sector of overhaul services was in line with the expectations.

In the first half of 2017, although the Company encountered a short-term operating difficulty, the Company was still confident in the long-term sound development trend of large railway track maintenance machinery industry. Faced with the current difficulties, the Company went all out to strengthen its foundation and sought long-term development, aiming to create a new situation with its new strategy. The Company has fundamentally improved the quality of its development, efficiency and competitiveness to achieve a sustainable development. Firstly, the Company continuously improved its corporate governance and enhanced its quality. Secondly, the Company intensified its efforts on independent innovation and product research and development, focusing on the research and development, diversifying product categories, boosting products qualities and innovating brand. Thirdly, the Company leveraged the advantages of listed company's capital operation platform to actively carry out the mergers and acquisitions of related industries to improve its core competitiveness and actively promote the development of new industries, new areas and new markets. Fourthly, the Company overcame the obstacles and difficulties, deepened its reformation, optimised the effective allocation of resources, streamlined the management structure and reduced the number of legal person. The Company vigorously promoted its quality and efficiency to achieve tangible results. It also stimulated its endogenous power and development vitality, to further enhance the Company's operational efficiency, operational quality and competitiveness.

Looking forward, the second half of 2017 will be a period for the Company to make development while surviving and seeking breakthroughs out of difficulties. The Company will face up to the difficulties, strengthen its confidence to maintain its strategic focus, integrate the Company and CRCHI according to the controlling shareholders' plan and make itself stronger and larger in the equipment manufacturing industry. The Company will continue to follow the overall work deployment requirements and operational objectives in 2017, by focusing on and devoting to its targets, intensifying its efforts on reform innovation, technological innovation, market expansion, structural adjustments, mergers and acquisitions, and enhancement of quality and improvement of efficiency, managing risks seriously and consolidating its main business effectively and exploring new industries comprehensively, to create a new situation for achieving its strategic objectives of becoming stronger, better and larger under the 13th Five-Year Development Plan, and firmly move forward to create a new miracle.

Management Discussion and Analysis

REVENUE

	For the six months ended 30 June	
	2017 <i>RMB million</i>	2016 (Restated) <i>RMB million</i>
Sales of machines	398.7	1,083.7
Sales of parts and components	183.5	349.3
Overhaul services	321.3	213.8
Railway line maintenance services	11.0	13.8
Rail vehicles engineering and technical services	16.4	24.3
Total revenue	930.9	1,684.9

The Group's revenue decreased by RMB754 million or 44.75% from RMB1,684.9 million (restated) for the six months ended 30 June 2016 to RMB930.9 million for the six months ended 30 June 2017.

In the first half of 2017, with the exception of the overhaul services, which recorded an increase in revenue, all the original and remaining businesses of the Group experienced varying degrees of decrease, in which the greatest decrease came from the sales of machines, with a decrease of RMB685 million or 63.21% as compared with the same period last year. This was mainly due to the decrease of large track maintenance machines delivered caused by the delay of the 2017 large railway track maintenance machines procurement plan of China Railway Corporation. The business with the second greatest decrease was the sales of parts and components, of which the revenue decreased by RMB165.8 million or 47.47% as compared with the same period last year, which was mainly attributable to the decrease in sales of spare parts of large railway track maintenance machines. The business with the third greatest decrease was the rail vehicles engineering and technical services, representing a decrease in revenue of RMB8 million or 32.68% as compared with the same period last year, and the main reason for such decrease was part of the design capability was used to design internal products of the Group. The business with the fourth greatest decrease was the railway line maintenance services, representing a revenue decrease of RMB2.7 million or 19.77% as compared with the same period last year, and the main reason for such decrease was the decrease in engineering works of railway line maintenance services. The overhaul services recorded a significant increase in revenue with an increase of RMB107.5 million or 50.28% as compared with the same period last year, and the main reason for such increase was the increase in the service range and quantity of engineering works for railway track maintenance machines and accomplishment of delivery.

COST OF SALES

The Group's cost of sales decreased by RMB572.9 million from RMB1,261.2 million (restated) for the six months ended 30 June 2016 to RMB688.3 million for the six months ended 30 June 2017. The decrease was mainly due to the decline in the cost which was further caused by the decrease in revenue from the sales of machines and sales of parts and components, which was partially offset by the increase in cost of sales from overhaul services.

GROSS PROFIT

In light of the foregoing, the Group's gross profit decreased by RMB181.1 million from RMB423.7 million (restated) for the six months ended 30 June 2016 to RMB242.6 million for the six months ended 30 June 2017. The Group's gross profit margin increased from 25.15% for the six months ended 30 June 2016 to 26.06% for the six months ended 30 June 2017. The change in gross profit margin was mainly due to the change of gross profit structure of each business line and the efforts in continuous cost reduction and efficiency enhancement.

OTHER INCOME AND GAINS

The Group's other income and gains increased by RMB4.7 million from RMB29.8 million (restated) for the six months ended 30 June 2016 to RMB34.5 million for the six months ended 30 June 2017. The increase of other income and gains was mainly caused by the increase in interest income and dividend income from available-for-sale investments.

SELLING AND DISTRIBUTION EXPENSES

The Group's selling and distribution expenses increased by RMB4 million from RMB22.6 million for the six months ended 30 June 2016 to RMB26.6 million for the six months ended 30 June 2017, primarily due to the increase in staff cost and traveling fee caused by the expanded marketing network layout.

ADMINISTRATIVE EXPENSES

The Group's administrative expenses decreased by RMB0.6 million from RMB167.4 million (restated) for the six months ended 30 June 2016 to RMB166.8 million for the six months ended 30 June 2017. The decrease was mainly attributable to the growth in research and development costs offset by the decrease in the remuneration of part of the management.

OTHER EXPENSES

The Group's other expenses increased by RMB6.2 million from RMB7.3 million (restated) for the six months ended 30 June 2016 to RMB13.5 million for the six months ended 30 June 2017, primarily due to the increase in foreign exchange losses.

FINANCE COSTS

The Group's finance costs increased by RMB35.6 million from RMB0.2 million (restated) for the six months ended 30 June 2016 to RMB35.8 million for the six months ended 30 June 2017. The increase was mainly due to the increase in interest on discounted long-term trade receivables.

PROFIT BEFORE TAX

The Group's profit before tax decreased by RMB221.7 million from RMB256 million (restated) for the six months ended 30 June 2016 to RMB34.3 million for the six months ended 30 June 2017. The decrease in profit before tax was mainly due to the decrease in total gross profit as a result of decline in revenue and increase in finance costs.

INCOME TAX EXPENSE

The Group's income tax expense decreased by RMB34.4 million from RMB41.8 million (restated) for the six months ended 30 June 2016 to RMB7.4 million for the six months ended 30 June 2017. The decrease in income tax expense was mainly due to the decrease in the profit before tax of current period.

In 2015, Aotongda Company, Ruiweitong Company and Kunweitong Company were accredited as high and new technology enterprises and received approvals from the relevant government authorities, and they were entitled to the preferential income tax rate of 15% for the three years ending 31 December 2017.

The Company and Guangweitong Company were subject to the preferential tax policy of the western development, and they were subject to the preferential corporate income tax rate of 15%.

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

Profit attributable to owners of the Company decreased by RMB187.3 million from RMB214.2 million (restated) for the six months ended 30 June 2016 to RMB26.9 million for the six months ended 30 June 2017. The decrease in the profit attributable to owners of the parent was mainly due to the decrease in gross profit as a result of decline in revenue and increase in finance costs.

BASIC EARNINGS PER SHARE

Basic earnings per share decreased from RMB0.14 (restated) for the six months ended 30 June 2016 to RMB0.02 for the six months ended 30 June 2017, which was mainly due to the decrease in the Group's net profit.

LIQUIDITY AND SOURCE OF CAPITAL

Cash flows and working capital

The Group's needs for working capital were mainly satisfied by cash generated from operations. For the six months ended 30 June 2017, the closing balance of the Group's cash and cash equivalents amounted to RMB1,984.4 million and the net increase in cash and cash equivalents was RMB760.4 million, which was mainly attributable to the increase in cash inflow from operating activities of the Group during the first half of 2017.

Net cash inflow from operating activities

For the six months ended 30 June 2017, the Group's net cash inflow from operating activities was RMB930.3 million, which was mainly due to the increase in sales collections in the first half of 2017.

Net cash outflow from investing activities

For the six months ended 30 June 2017, the Group's net cash outflow from investing activities was RMB53.6 million. The cash outflow from investing activities were mainly due to the acquisition and construction of fixed assets and intangible assets.

Net cash outflow from financing activities

For the six months ended 30 June 2017, the Group's net cash outflow from financing activities was RMB110.8 million. The cash outflow items in financing activities were mainly the acquisition of CRCC Yukun Limited under the common control and repayment of an interest-free borrowing.

Liquidity

The Board considers that the Group has sufficient liquidity to meet the Group's present requirements for liquid funds.

Commitments

The Group's commitments as at the dates indicated are set out as follows:

Capital commitments

	30 June 2017 <i>RMB million</i>	31 December 2016 <i>RMB million</i>
Contracted but not provided for	95.2	97.3

Indebtedness

The Group has no indebtedness as at 30 June 2017.

Pledge

The Group has no pledge as at 30 June 2017.

Gearing ratio

The Group monitors capital management by using the gearing ratio, which is net debt divided by the adjusted capital plus net debt. Net debt includes bank and other borrowings, trade and bills payables, financial liabilities included in other payables and accruals less cash and cash equivalents. Capital includes equity attributable to owners of the parent. The Group's gearing ratio was 1% (restated) as at 31 December 2016 and -13% as at 30 June 2017.

Contingent liabilities

The Group has no material contingent liability as at 30 June 2017.

Market risks

The Group is subject to various market risks, including foreign exchange risk and inflation risk in the course of daily business operation.

Foreign exchange risks

The majority of the Group's businesses is located in China and most of the transactions are settled in RMB, with certain sales, procurement and German subsidiaries settled in foreign currencies including Euro and USD. The fluctuation in exchange rates of these foreign currencies against RMB will affect the operating results of the Group.

Policy risks

The Group is subject to risks arising from changes in the construction policies of the railway market by the Chinese government.

I. CORPORATE GOVERNANCE

1. Corporate Governance

The Company puts strong emphasis on the superiority, stability and rationality of corporate governance mechanism.

For the six months ended 30 June 2017 (the “Reporting Period”), the Company has fully complied with the code provisions of the CG Code set out in Appendix 14 of the Listing Rules.

2. Securities Transactions by the Directors and Supervisors

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct for governing the securities transactions by the Directors and supervisors of the Company.

The Company has issued a specific enquiry regarding whether the securities transactions by the Directors and supervisors are in compliance with the Model Code, and the Company confirmed that all Directors and supervisors have complied with the securities transactions standards governing the Directors and supervisors specified by the Model Code during the Reporting Period.

3. Board of Directors

As at the date of this report, the Board of the Company consisted of nine Directors, of whom Mr. Ren Yanjun as the chairman of the Board and an executive Director, Mr. Jiang He, Mr. Yu Yuanlin and Mr. Chen Yongxiang as executive Directors; Mr. Li Xuefu and Mr. Wu Zhixu as non-executive Directors; Mr. Sun Linfu, Mr. Yu Jiahe and Mr. Wong Hin Wing as independent non-executive Directors.

On 22 June 2017, Mr. Chen Yongxiang was appointed as an executive Director of the Company at the 2016 annual general meeting of the Company with effect from 22 June 2017 until the expiry of the term of the first session of the Board.

The Directors of the Company strictly complied with their promises, fidelity and integrity, and diligently performed their responsibilities. The scale and composition of the Board of the Company conformed to the requirements of relevant laws and regulations. There was no non-working relationship among the members of the Board, including financial, business, family or other significant relevant relations.

4. Supervisory Committee

As at the date of this report, the Supervisory Committee of the Company consisted of three supervisors, including Mr. Lyu Jianming as the chairman of the Supervisory Committee and the employee supervisor, Mr. Zhang Zhumin and Mr. Wang Huaming as the representative supervisors of shareholders.

5. Audit and Risk Management Committee

The audit and risk management committee of the Company consisted of three independent non-executive Directors. The members of the audit and risk management committee are Mr. Yu Jiahe, Mr. Sun Linfu and Mr. Wong Hin Wing, of which Mr. Yu Jiahe is the chairman of the audit and risk management committee.

The audit and risk management committee of the Company is primarily responsible for supervising the Company's internal control, risk management, financial information disclosure and internal audit. Its duties also include making recommendations of the appointments or replacements of the external audit firms.

The audit and risk management committee of the Company has discussed the accounting standards adopted by the Group with the management and reviewed the unaudited financial results of the Group for the six months ended 30 June 2017 prepared under the International Accounting Standards, and has confirmed that the unaudited results are in compliance with the applicable accounting standards and the relevant regulatory and legal requirements and that sufficient disclosures have been made.

6. Changes in Particulars of Directors, Supervisors and Senior Management

Mr. Zhang Zhumin, a supervisor of the Company, resigned from CRCHI (a wholly-owned subsidiary of CRCC) with effect from 6 June 2017, but remains to serve as a supervisor of the Company until a new supervisor is appointed by the general meeting as his replacement.

II. INTERNAL CONTROL

The Company has a sound organisation system of internal control. The Board is responsible for the establishment, improvement and effective implementation of the internal control system. The Company has established an audit department with relatively independent functions on internal audit, internal control and risk management. Guided by the audit and risk management committee of the Board, the audit department carries out risk identification, inspection, supervision and evaluation for internal controls, centering on the significant control areas including financial control, operational control, compliance control and risk management. The audit department supervises and timely rectifies internal control deficiencies and effectively controls various risks during the operations of the Company.

During the Reporting Period, the internal control system of the Company was proved to be stable and reliable, and the Company continued to deepen its risk management practices. During the first half of the year, the Company aimed at boosting quality and efficiency, enhanced the audit value-added services and put great emphasis on the close-circuit management of internal control, ensuring the remedial measures for internal control deficiencies were fully implemented. The Company also continued to deepen its risk management and implemented specific measures to tackle and prevent high-risk events. Special audits covering services and procurements were carried out from multiple perspectives to realise enhance in management, reduction in costs and boosts in efficiency. The Company is capable of withstanding changes in business and external environment in terms of financial, operational and risk management, so as to ensure the safety of the assets of the Company and the interests of shareholders.

III. INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND GENERAL MANAGER IN SHARES, UNDERLYING SHARES AND DEBENTURES

During the Reporting Period and as at 30 June 2017, none of the Directors, supervisors and the general manager of the Company or their respective associates or any of their associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) had any personal, family, corporate or other interests or short positions in the shares, underlying shares and debentures of the Company that are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Part XV of the SFO, or to be entered in the register pursuant to section 352 of the SFO, or to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

IV. STRUCTURE OF THE SHARE CAPITAL

The share capital structure of the Company as at 30 June 2017 was as follows:

Shareholder	Type	Number of shares	As at 30 June 2017 percentage of issued share capital
China Railway Construction Corporation Limited	Domestic share	968,224,320	63.70%
China Railway Construction Investment Group Co., Ltd.	Domestic share	4,939,920	0.325%
China Railway Construction International Group Co., Ltd.	Domestic share	4,939,920	0.325%
China Civil Engineering Construction Corporation	Domestic share	4,939,920	0.325%
CRCC China-Africa Construction Limited	Domestic share	4,939,920	0.325%
Shares in public hands	H share	<u>531,900,000</u>	<u>35.00%</u>
Total		<u>1,519,884,000</u>	<u>100%</u>

V. SUBSTANTIAL SHAREHOLDERS

To the knowledge of the Directors of the Company, as at 30 June 2017, except for the Directors, supervisors or chief executive of the Company, the following persons had interests and short positions in the shares or underlying shares of the Company that, pursuant to section 336 of Part XV of the SFO, are required to be entered in the register referred to therein:

Unit: share

Name of substantial shareholder	Number of shares held ^{note 1}	Capacity	Approximate percentage of domestic share capital	Approximate percentage of H share capital	Approximate percentage of issued share capital
China Railway Construction Corporation Limited ^{note 2}	968,224,320(L) 19,759,680(L)	Beneficial owner Interest of controlled corporation	98.00% 2.00%	– –	63.70% 1.30%
China Railway Construction Corporation ^{note 3}	987,984,000(L)	Interest of controlled corporation	100.00%	–	65.00%
Morgan Stanley ^{note 4}	93,339,500(L) 24,861,000(S) 0(P)	Interest of controlled corporation	–	17.54% 4.67% 0.00%	6.14% 1.64% 0.00%
GIC Private Limited	47,708,500(L)	Investment manager	–	8.97%	3.14%
CSR Zhuzhou Electric Locomotive Research Institute (Hong Kong) Co., Limited ^{note 5}	44,285,500(L)	Beneficial owner	–	8.33%	2.91%
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd. ^{note 5}	44,285,500(L)	Interest of controlled corporation	–	8.33%	2.91%
CRRC Corporation Limited ^{note 5}	44,285,500(L)	Interest of controlled corporation	–	8.33%	2.91%

Other Information

Name of substantial shareholder	Number of shares held ^{note 1}	Capacity	Approximate percentage of domestic share capital	Approximate percentage of H share capital	Approximate percentage of issued share capital
CRRC Group Co., Ltd. ^{note 5}	44,285,500(L)	Interest of controlled corporation	–	8.33%	2.91%
Fullerton Fund Management Company Ltd ^{note 6}	30,885,500(L)	Investment manager	–	5.80%	2.03%
FFMC Holdings Pte. Ltd. ^{note 6}	30,885,500(L)	Interest of controlled corporation	–	5.80%	2.03%
Temasek Holdings (Private) Limited ^{note 6}	30,885,500(L)	Interest of controlled corporation	–	5.80%	2.03%

Note 1: L – Long Position, S – Short Position, P – Shares Available for Lending.

Note 2: China Railway Construction Corporation Limited (including its wholly-owned subsidiaries, namely China Railway Construction Investment Group Co., Ltd., China Railway Construction International Group Co., Ltd., China Civil Engineering Construction Corporation and CRCC China-Africa Construction Limited) directly or indirectly held a long position of 987,984,000 domestic shares of the Company.

Note 3: As at 30 June 2017, China Railway Construction Corporation directly held approximately 55.73% shares of China Railway Construction Corporation Limited, while China Railway Construction Corporation Limited directly or indirectly held 987,984,000 domestic shares of the Company. Therefore, China Railway Construction Corporation was deemed to be interested in these shares.

Note 4: Morgan Stanley held a long position of 93,339,500 H Shares and a short position of 24,861,000 H Shares of the Company through its controlled corporations.

Note 5: As at 30 June 2017, CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd. held 100% equity interest in CSR Zhuzhou Electric Locomotive Research Institute (Hong Kong) Co., Limited and was a wholly-owned subsidiary of CRRC Corporation Limited. CRRC Group Co., Ltd. directly and indirectly held approximately 55.63% shares of CRRC Corporation Limited in aggregate and CSR Zhuzhou Electric Locomotive Research Institute (Hong Kong) Co., Limited held 44,285,500 H Shares of the Company. Thus, CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd., CRRC Corporation Limited and CRRC Group Co., Ltd. were deemed to be interested in these shares.

Note 6: As at 30 June 2017, Temasek Holdings (Private) Limited held 100% equity interest in Fullerton (Private) Limited, while Fullerton (Private) Limited held 100% equity interest in FFMC Holdings Pte. Ltd. FFMC Holdings Pte. Ltd. held 100% equity interest in Fullerton Fund Management Company Ltd, which held a long position of 30,885,500 H Shares of the Company as investment manager. Thus, FFMC Holdings Pte. Ltd. and Temasek Holdings (Private) Limited were deemed to be interested in these shares.

VI. PURCHASE, REDEMPTION OR SALE OF THE LISTED SECURITIES OF THE COMPANY

During the Reporting Period, there was no purchase, redemption or sale of any listed securities of the Company by the Company or any of its subsidiaries.

VII. DIVIDEND DISTRIBUTION

1. 2016 Final Dividend Distribution Plan and Implementation

Upon the consideration and approval of shareholders of the Company at the 2016 annual general meeting, the Company will distribute the 2016 final dividend of RMB0.16 per share (tax inclusive), totaling approximately RMB243,181,440, in cash to all shareholders whose names appear on the register of members of the Company on 3 July 2017, based on the total issued share capital of 1,519,884,000 shares. Under the dividend distribution plan, it is expected that the Company will distribute the 2016 final dividend on 21 August 2017.

2. 2017 Interim Dividend Distribution Plan

The Board of the Company did not recommend the distribution of interim dividend for the six months ended 30 June 2017.

VIII. CONNECTED TRANSACTIONS

During the Reporting Period, the Company strictly complied with the relevant requirements under Chapter 14A of the Listing Rules in connection with connected transactions and established a mechanism to safeguard the interests of non-controlling shareholders.

On 23 November 2015, the Company entered into the Large Maintenance Machinery and Accessories Sales Framework Agreement with CRCC for a term ending on 31 December 2017. As the previous annual caps for 2016 and 2017 determined for the continuing connected transactions under such agreement would not be sufficient for the actual operating needs of the Company, on 30 March 2016, the Company proposed to revise the annual caps for 2016 and 2017 for the continuing connected transactions under such agreement. The Company has complied with the relevant requirements of the Listing Rules in relation to reporting, announcements and approval at the general meeting of the Company.

As the Company has entered into the Large Maintenance Machinery and Accessories Sales Framework Agreement with CRCC for a term ending on 31 December 2017, and the Company proposes to expand the range of products and services it provides to CRCC and its associates as agreed in the Large Maintenance Machinery and Accessories Sales Framework Agreement, on 5 May 2017, the Company entered into the 2017-2019 Machinery Equipment and Accessories Sales Framework Agreement with CRCC, and has complied with the relevant requirements of the Listing Rules in relation to reporting, announcement and approval at the general meeting of the Company. The Large Maintenance Machinery and Accessories Sales Framework Agreement was terminated on the date of implementation of the Machinery Equipment and Accessories Sales Framework Agreement.

For details of the continuing connected transactions, please refer to the circular of the Company dated 31 May 2017.

IX. EMPLOYEES AND TRAINING

As at 30 June 2017, the Company has a total number of 2,070 employees. Total remunerations (including wages and surcharges) for the six months ended 30 June 2017 amounted to approximately RMB177.6 million. The remuneration policies of the Group are determined based on the position, performance, qualifications and capability of staff members.

During the Reporting Period, the Company has appointed its legal advisers to explain the relevant knowledge of the laws and rules to the Directors, supervisors, senior management and staff from related departments.

X. UPDATES ON CERTAIN EVENTS

According to the connected transaction announcement of the Company dated on 6 April 2017, the Company entered into an equity transfer agreement with CRCC Asset Management, a wholly-owned subsidiary of CRCC, on 6 April 2017. Pursuant to such agreement, CRCC Asset Management agreed to sell, and the Company agreed to acquire 100% equity interest in CRCC Yukun at a consideration of RMB110,564,200. The consideration was settled by the way of: (i) a repayment by the Company to CRCC of a loan which was lent to CRCC Yukun by CRCC in a principal amount of RMB105,393,434 and (ii) a cash payment of RMB5,170,766 by the Company to CRCC Asset Management. On 24 June 2017, the control over CRCC Yukun was transferred to the Company.

Report on Review of Interim Condensed Consolidated Financial Statements



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To the board of directors of CRCC High-Tech Equipment Corporation Limited

(Incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the interim condensed consolidated financial statements set out on pages 19 to 50, which comprise the condensed consolidated statement of financial position of CRCC High-Tech Equipment Corporation Limited (the “Company”) and its subsidiaries (the “Group”) as at 30 June 2017 and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim condensed consolidated financial statements to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the International Auditing and Assurance Standards Board. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young

Certified Public Accountants

Hong Kong
28 July 2017

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2017

	Notes	For the six months ended 30 June	
		2017 (Unaudited) RMB'000	2016 (Unaudited) (Restated) RMB'000
REVENUE	4	930,897	1,684,903
Cost of sales	5	(688,334)	(1,261,165)
Gross profit		242,563	423,738
Other income and gains	4	34,457	29,777
Selling and distribution expenses		(26,565)	(22,618)
Administrative expenses		(166,842)	(167,354)
Other expenses		(13,509)	(7,325)
Finance costs		(35,830)	(233)
PROFIT BEFORE TAX	5	34,274	255,985
Income tax expense	6	(7,392)	(41,785)
PROFIT FOR THE PERIOD		26,882	214,200

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2017

	Notes	For the six months ended 30 June	
		2017 (Unaudited) RMB'000	2016 (Unaudited) (Restated) RMB'000
OTHER COMPREHENSIVE (LOSS)/INCOME			
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:			
Available-for-sale investments:			
Changes in fair value		(12,473)	(8,489)
Income tax effect		1,871	1,273
Exchange differences on translation of foreign operations		3,333	549
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX		(7,269)	(6,667)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		19,613	207,533
Profit attributable to owners of the parent		26,882	214,200
Total comprehensive income attributable to owners of the parent		19,613	207,533
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (expressed in RMB per share)	7	0.02	0.14

Interim Condensed Consolidated Statement of Financial Position

30 June 2017

	<i>Notes</i>	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) (Restated) RMB'000
NON-CURRENT ASSETS			
Available-for-sale investments	8	211,741	224,214
Goodwill		91,367	91,367
Property, plant and equipment		964,287	947,818
Prepaid land lease payments		424,824	430,227
Other intangible assets		8,247	11,946
Long-term prepayments		35,344	20,645
Trade receivables	10	153,346	–
Deferred tax assets		28,096	18,625
Total non-current assets		1,917,252	1,744,842
CURRENT ASSETS			
Prepaid land lease payments		10,831	10,831
Inventories	9	1,588,471	1,470,205
Trade and bills receivables	10	1,332,808	2,572,634
Prepayments, deposits and other receivables		159,280	80,539
Cash and cash equivalents	11	1,984,398	1,223,957
Total current assets		5,075,788	5,358,166
CURRENT LIABILITIES			
Trade and bills payables	12	1,089,758	1,135,945
Other payables and accruals	13	544,456	236,092
Interest-free other borrowings		–	105,393
Tax payable		5,194	37,048
Defined benefit obligations		279	650
Provisions		7,639	9,093
Government grants		4,926	4,926
Total current liabilities		1,652,252	1,529,147
NET CURRENT ASSETS		3,423,536	3,829,019
TOTAL ASSETS LESS CURRENT LIABILITIES		5,340,788	5,573,861

Interim Condensed Consolidated Statement of Financial Position

30 June 2017

	<i>Notes</i>	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) (Restated) RMB'000
NON-CURRENT LIABILITIES			
Defined benefit obligations		720	720
Government grants		11,723	14,186
Deferred tax liabilities		23,816	25,687
Total non-current liabilities		36,259	40,593
Net assets		5,304,529	5,533,268
EQUITY			
Issued capital	14	1,519,884	1,519,884
Reserves		3,784,645	4,013,384
Total equity		5,304,529	5,533,268

Ren Yanjun
Executive director

Jiang He
Executive director

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

For the six months ended 30 June 2017 (unaudited)

	Attributable to owners of the parent								Total equity RMB'000
	Issued capital RMB'000	Capital reserve* RMB'000	Special reserve* RMB'000	Surplus reserve* RMB'000	Retained profits* RMB'000	Available-for-sale investment revaluation reserve* RMB'000	Defined benefit plan revaluation reserve* RMB'000	Exchange fluctuation reserve* RMB'000	
As at 31 December 2016 (as previously reported)	1,519,884	3,229,898	-	75,888	573,640	145,556	(10,169)	-	5,534,697
Business combinations involving entities under common control (note (iii))	-	-	-	-	(1,893)	-	-	464	(1,429)
As at 1 January 2017 (restated)	1,519,884	3,229,898	-	75,888	571,747	145,556	(10,169)	464	5,533,268
Profit for the period	-	-	-	-	26,882	-	-	-	26,882
Other comprehensive (loss)/income	-	-	-	-	-	(10,602)	-	3,333	(7,269)
Total comprehensive income	-	-	-	-	26,882	(10,602)	-	3,333	19,613
Dividends declared	-	-	-	-	(243,181)	-	-	-	(243,181)
Business combinations involving entities under common control (note (iii))	-	(5,171)	-	-	-	-	-	-	(5,171)
Appropriation to statutory surplus reserve (note (ii))	-	-	-	10,271	(10,271)	-	-	-	-
Transfer to special reserve (note (i))	-	-	5,093	-	(5,093)	-	-	-	-
Utilisation of special reserve (note (i))	-	-	(5,093)	-	5,093	-	-	-	-
At 30 June 2017	<u>1,519,884</u>	<u>3,224,727</u>	<u>-</u>	<u>86,159</u>	<u>345,177</u>	<u>134,954</u>	<u>(10,169)</u>	<u>3,797</u>	<u>5,304,529</u>

* These reserve accounts comprise the consolidated other reserves of RMB3,784,645,000 in the interim condensed consolidated statement of financial position as at 30 June 2017.

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

For the six months ended 30 June 2016 (unaudited)

	Attributable to owners of the parent								Total equity RMB'000
	Issued capital RMB'000	Capital reserve RMB'000	Special reserve RMB'000	Surplus reserve RMB'000	Retained profits RMB'000	Available-for-sale investment revaluation reserve RMB'000	Defined benefit plan revaluation reserve RMB'000	Exchange fluctuation reserve RMB'000	
As at 1 January 2016	1,519,884	3,229,898	-	47,068	196,184	159,333	(10,262)	-	5,142,105
Profit for the period	-	-	-	-	214,200	-	-	-	214,200
Other comprehensive (loss)/income	-	-	-	-	-	(7,216)	-	549	(6,667)
Total comprehensive income	-	-	-	-	214,200	(7,216)	-	549	207,533
Dividends declared	-	-	-	-	(60,795)	-	-	-	(60,795)
Appropriation to statutory surplus reserve (note (ii))	-	-	-	17,326	(17,326)	-	-	-	-
Transfer to special reserve (note (i))	-	-	4,934	-	(4,934)	-	-	-	-
Utilisation of special reserve (note (i))	-	-	(4,934)	-	4,934	-	-	-	-
At 30 June 2016 (restated)	<u>1,519,884</u>	<u>3,229,898</u>	<u>-</u>	<u>64,394</u>	<u>332,263</u>	<u>152,117</u>	<u>(10,262)</u>	<u>549</u>	<u>5,288,843</u>

Notes:

- (i) The Group has appropriated a certain amount of retained profits to a special reserve fund for safety production expense purposes as required by directives issued by the relevant PRC government authorities. The Group charged the safety production expense to profit or loss when such expense was incurred, and at the same time an equal amount of special reserve fund was utilised and transferred back to retained profits.
- (ii) In accordance with the PRC Company Law and the articles of association of the Company, the Company is required to appropriate 10% of its net profit after tax, as determined under PRC GAAP, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the Company, the statutory surplus reserve may be used either to offset losses, or to be converted to increase share capital provided that the balance after such conversion is not less than 25% of the registered capital of the Company.
- (iii) On 24 June 2017, the Company obtained control over CRCC Yukun Limited ("CRCC Yukun") through business combinations involving entities under common control. Refer to Note 2.1 below.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

	Notes	For the six months ended 30 June	
		2017 (Unaudited) RMB'000	2016 (Unaudited) (Restated) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		34,274	255,985
Adjustments for:			
Finance costs		35,830	233
Foreign exchange losses	5	5,669	706
Interest income	4	(13,162)	(10,777)
Dividend income from available-for-sale investments	4	(4,410)	–
Depreciation of items of property, plant and equipment	5	31,715	34,766
Amortisation of other intangible assets	5	4,983	5,239
Amortisation of prepaid land lease payments	5	5,403	5,220
Amortisation of long-term deferred expenses	5	14	136
Impairment of trade receivables	5	4,998	2,566
Impairment/(reversal of impairment) of other receivables	5	126	(6)
Write-down/(reversal of write-down) of inventories to net realisable value	5	307	(2,420)
Loss on disposal of items of property, plant and equipment	5	191	101
		105,938	291,749
Increase in inventories		(118,573)	(84,659)
Decrease/(increase) in trade and bills receivables		1,048,945	(3,548)
Increase in prepayments, deposits and other receivables		(85,195)	(52,844)
Decrease in pledged deposits		–	250,040
Decrease in trade and bills payables		(46,187)	(120,682)
Increase/(decrease) in other payables and accruals		65,183	(2,404)
Decrease in defined benefit obligations		(371)	(554)
Decrease in provisions		(1,454)	(288)
Decrease in government grants		(2,463)	(2,463)
Cash flows from operations		965,823	274,347
Interest received		13,162	10,777
Income tax paid		(48,717)	(30,126)
Net cash flows from operating activities		930,268	254,998

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

	For the six months ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Unaudited) (Restated) RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for acquisition of items of property, plant and equipment	(52,707)	(6,133)
Payments for acquisition of other intangible assets	(927)	(9,500)
Acquisition of subsidiaries, net of cash acquired	—	(96,308)
Net cash flows used in investing activities	(53,634)	(111,941)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	—	497
New interest-free other borrowings	—	105,393
Repayment of interest-free other borrowings	(105,393)	—
Payments for business combinations involving entities under common control	(5,171)	—
Interest paid	(218)	(233)
Share issue expenses	—	(8,976)
Net cash flows (used in)/from financing activities	(110,782)	96,681
NET INCREASE IN CASH AND CASH EQUIVALENTS	765,852	239,738
Cash and cash equivalents at beginning of period	1,223,957	1,672,606
Effect of exchange rate changes on cash and cash equivalents	(5,411)	(856)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,984,398	1,911,488

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2017

1. CORPORATE INFORMATION

CRCC High-Tech Equipment Corporation Limited (the “Company”) is a joint stock limited company incorporated in the People’s Republic of China (the “PRC”). In December 2015, the Company issued 531,900,000 H shares with a nominal value of RMB1.00 each through the Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) and the H shares were listed on the Hong Kong Stock Exchange. The registered office of the Company is located at No. 384 Yangfangwang, Jinma Town, Kunming, Yunnan Province, the PRC.

During the six months ended 30 June 2017, the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) were principally engaged in the manufacture and sale of large railway track maintenance machinery, the manufacture and sale of parts and components, and the provision of overhaul services, railway line maintenance services, and rail vehicles engineering and technical services.

In the opinion of the directors of the Company, the Company’s holding company is China Railway Construction Corporation Limited (“CRCC”), a company established in the PRC. The Company’s ultimate holding company is China Railway Construction Corporation (“CRCCG”), a company established in the PRC, which is wholly owned by the State-owned Assets Supervision and Administration Commission of the State Council.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP’S ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2016.

30 June 2017

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

Restatement of prior period's condensed consolidated financial statements due to business combinations involving entities under common control

On 6 April 2017, the Company entered into an equity transfer agreement with China Railway Construction Asset Management (HK) Limited ("CRCC Asset Management"), a wholly-owned subsidiary of CRCC to acquire 100% of the equity interest of CRCC Yukun at a consideration of RMB110,564,200. The consideration was settled by way of: (i) a repayment of an interest-free other borrowing granted to CRCC Yukun by CRCC in a principal amount of RMB105,393,434 by the Company to CRCC; and (ii) a cash payment of RMB5,170,766 by the Company to CRCC Asset Management. The Company obtained the control over CRCC Yukun on 24 June 2017.

Given that CRCC Yukun is under common control of CRCC before and after the business combination, and that control is not temporary, the acquisition of CRCC Yukun is considered as business combinations involving entities under common control. Accordingly, the Company applied the principles of merger accounting to account for the acquisition of CRCC Yukun in preparing the interim condensed consolidated financial statements of the Company.

By applying the principles of merger accounting, the interim condensed consolidated financial statements of the Group also included the financial position, profit or loss and other comprehensive income and cash flows of CRCC Yukun as if it had been combined with the Group throughout the six months ended 30 June 2017, and from the earliest date presented. Comparative figures as at 31 December 2016 and for the six months ended 30 June 2016 have been restated as a result of such. All intra-group transactions and balances have been eliminated on consolidation.

30 June 2017

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

Restatement of prior period's condensed consolidated financial statements due to business combinations involving entities under common control (continued)

The quantitative impact on the financial statements is summarised below:

- (i) *The condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2016*

	As previously reported (Unaudited) RMB'000	CRCC Yukun RMB'000	As restated (Unaudited) RMB'000
Revenue	1,660,574	24,329	1,684,903
Profit for the period	214,864	(664)	214,200
Total comprehensive income for the period	207,648	(115)	207,533

- (ii) *The condensed consolidated statement of financial position as at 31 December 2016*

	As previously reported (Audited) RMB'000	CRCC Yukun RMB'000	Elimination of inter-company balances RMB'000	As restated (Audited) RMB'000
Total non-current assets	1,651,769	93,073	–	1,744,842
Total current assets	5,329,441	39,810	(11,085)	5,358,166
Total non-current liabilities	40,593	–	–	40,593
Total current liabilities	1,405,920	134,312	(11,085)	1,529,147
Total equity	5,534,697	(1,429)	–	5,533,268

30 June 2017

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

Restatement of prior period's condensed consolidated financial statements due to business combinations involving entities under common control (continued)

(iii) *The condensed consolidated statement of cash flows for the six months ended 30 June 2016*

	As previously reported <i>(Unaudited)</i> <i>RMB'000</i>	CRCC Yukun <i>RMB'000</i>	As restated <i>(Unaudited)</i> <i>RMB'000</i>
Cash and cash equivalents at beginning of period	1,672,606	–	1,672,606
Net cash flows from operating activities	250,371	4,627	254,998
Net cash flows used in investing activities	(15,213)	(96,728)	(111,941)
Net cash flows (used in)/ from financing activities	(9,127)	105,808	96,681
Effect of exchange rate changes on cash and cash equivalents	1	(857)	(856)
Cash and cash equivalents at end of period	1,898,638	12,850	1,911,488

30 June 2017

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of new standards effective as of 1 January 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these amendments apply for the first time in 2017, they do not have a material impact on the interim condensed consolidated financial statements of the Group. The nature and the impact of each amendment is described below:

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The Group is not required to provide additional disclosures in its interim condensed consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ending 31 December 2017.

30 June 2017

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

2.2 New standards, interpretations and amendments adopted by the Group (continued)

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstance in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

The Group applied the amendments retrospectively. However, the application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

Annual improvements 2014-2016 Cycle

Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12

The amendments clarify that disclosure requirements in IFRS 12, other than those in paragraphs B10-B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

The amendments did not have any impact on the Group.

30 June 2017

3. OPERATING SEGMENT INFORMATION

The Group's revenue and contribution to consolidated results are mainly derived from the provision of products and services in the large railway track maintenance machinery industry, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's senior management for the purposes of resource arrangement and performance assessment. Accordingly, no segment analysis is presented other than entity-wide disclosures.

Geographical information	For the six months ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Unaudited) (Restated) RMB'000
Revenue from external customers:		
Mainland China	914,518	1,660,411
Other countries	16,379	24,492
	930,897	1,684,903

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2017

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents: (1) the net invoiced value of goods sold, after allowances for returns and trade discounts, and excludes sales taxes; and (2) the values of services rendered.

An analysis of the Group's revenue, other income and gains is as follows:

	For the six months ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Unaudited) (Restated) RMB'000
Revenue:		
Sales of machines	398,700	1,083,704
Overhaul services	321,285	213,796
Sales of parts and components	183,485	349,303
Railway line maintenance services	11,048	13,771
Rail vehicles engineering and technical services	16,379	24,329
	930,897	1,684,903
Other income and gains:		
Interest income	13,162	10,777
Government grants	11,618	11,479
Dividend income from available-for-sale investments	4,410	–
Training income	1,343	1,196
Rental income	932	1,036
Sales of scrap materials	866	790
Others	2,126	4,499
	34,457	29,777

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2017

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	<i>Notes</i>	For the six months ended 30 June	
		2017 (Unaudited) RMB'000	2016 (Unaudited) (Restated) RMB'000
Cost of machines sold		299,230	842,730
Cost of overhaul services		238,910	151,360
Cost of parts and components sold		124,871	242,618
Cost of railway line maintenance services		12,604	7,820
Cost of rail vehicles engineering and technical services		12,719	16,637
Total cost of sales		688,334	1,261,165
Depreciation of items of property, plant and equipment	(a)	31,715	34,766
Amortisation of other intangible assets		4,983	5,239
Amortisation of prepaid land lease payments		5,403	5,220
Amortisation of long-term deferred expenses		14	136
Total depreciation and amortisation		42,115	45,361
Impairment of trade receivables		4,998	2,566
Impairment/(reversal of impairment) of other receivables		126	(6)
Total impairment losses, net		5,124	2,560

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2017

5. PROFIT BEFORE TAX (continued)

	Notes	For the six months ended 30 June	
		2017 (Unaudited) RMB'000	2016 (Unaudited) (Restated) RMB'000
Write-down/(reversal of write-down) of inventories to net realisable value		307	(2,420)
Lease expense under operating leases of buildings and equipment		4,412	750
Employee benefit expenses (including directors', supervisors' and chief executive's remuneration):	(b)		
Wages, salaries and allowances		93,669	93,238
Defined contribution scheme expenses		24,083	24,270
Welfare and other expenses		59,801	61,321
Total employee benefit expenses		177,553	178,829
Research and development costs	(c)	75,452	57,375
Provisions for warranties, net		1,322	2,182
Interest income		(13,162)	(10,777)
Dividend income from available-for-sale investments		(4,410)	–
Loss on disposal of items of property, plant and equipment		191	101
Foreign exchange losses		5,669	706
Government grants		(11,618)	(11,479)

30 June 2017

5. PROFIT BEFORE TAX (continued)

Notes:

- (a) Depreciation of approximately RMB19,547,000 (for the six months ended 30 June 2016 (restated): RMB24,058,000) is included in cost of sales in the interim condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2017.
- (b) Employee benefit expenses of approximately RMB97,513,000 (for the six months ended 30 June 2016 (restated): RMB99,054,000) are included in cost of sales in the interim condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2017.
- (c) Employee benefit expenses of approximately RMB22,506,000 (for the six months ended 30 June 2016 (restated): RMB19,033,000) are included in research and development costs in the interim condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2017.

6. INCOME TAX

The Company and a subsidiary are entitled to a preferential income tax rate of 15% for the years ending/ended 31 December 2017 and 2016, and they will continue to benefit from this preferential income tax policy until 31 December 2020 under “the tax incentives of western development”.

Three other subsidiaries of the Company have been identified as “high and new technology enterprises” and are entitled to a preferential income tax rate of 15% for the three years ending 31 December 2017.

Other entities within the Group in Mainland China were subject to corporate income tax at the statutory rate of 25%.

The entity within the Group in Hong Kong was subject to corporate income tax at the statutory rate of 16.5%.

Income tax arising from taxable income in other regions is calculated at applicable tax rates according to existing laws, interpretations and practices of the countries in which the Group operates.

30 June 2017

6. INCOME TAX (continued)

	For the six months ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Unaudited) (Restated) RMB'000
Current income tax – Mainland China:		
Charge for the period	17,803	42,373
Overprovision in prior periods	(1,103)	–
Current income tax – Elsewhere	163	129
Deferred income tax	(9,471)	(717)
	7,392	41,785
Tax charge for the period		

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent of RMB26,882,000 (for the six months ended 30 June 2016 (restated): RMB214,200,000), and the weighted average number of ordinary shares of 1,519,884,000 (for the six months ended 30 June 2016: 1,519,884,000) in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2017 and 2016.

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2017

8. AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Listed equity investments, at fair value	211,741	224,214

The movements in the fair value of available-for-sale investments are as follows:

	For the six months ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
At 1 January	224,214	240,422
Recognised in other comprehensive loss	(12,473)	(8,489)
At 30 June	211,741	231,933

As at 30 June 2017, there was no impairment recognised in respect of available-for-sale investments (31 December 2016: Nil).

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2017

9. INVENTORIES

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Raw materials and parts and components	749,759	635,039
Materials in transit	141,352	190,274
Work in progress	472,651	390,385
Finished goods	232,977	262,468
	1,596,739	1,478,166
Provision for impairment	(8,268)	(7,961)
	1,588,471	1,470,205

The movements in the provision for impairment losses are as follows:

	For the six months ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
Impairment:		
At 1 January	7,961	8,321
Write-down/(reversal of write-down) of inventories to net realisable value	307	(2,420)
At 30 June	8,268	5,901

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2017

10. TRADE AND BILLS RECEIVABLES

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) (Restated) RMB'000
Trade receivables	1,453,125	2,280,040
Provision for impairment	(41,257)	(36,259)
Trade receivables, net	1,411,868	2,243,781
Bills receivable	74,286	328,853
	1,486,154	2,572,634
Less: non-current portion	(153,346)	–
Current portion	1,332,808	2,572,634

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally three to six months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has control to minimise the credit risk. Overdue balances are reviewed regularly by senior management. Concentrations of credit risk are managed by analysis by customer. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing except for non-current portion. They are stated net of provisions.

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2017

10. TRADE AND BILLS RECEIVABLES (continued)

An aged analysis of current portion of trade and bills receivables, based on the billing date and net of provision for impairment of trade receivables, as at the end of the reporting period is as follows:

	30 June 2017 (Unaudited)	31 December 2016 (Audited) (Restated)
	RMB'000	RMB'000
Within 6 months	746,487	2,241,047
6 months to 1 year	349,086	111,646
1 to 2 years	130,775	164,908
2 to 3 years	78,508	28,359
Over 3 years	27,952	26,674
	1,332,808	2,572,634

Details of the outstanding balances with related parties included in trade and bills receivables are set out in note 16 to the interim condensed consolidated financial statements.

11. CASH AND CASH EQUIVALENTS

	30 June 2017 (Unaudited)	31 December 2016 (Audited) (Restated)
	RMB'000	RMB'000
Cash	25	2
Bank balances	1,984,373	1,223,955
Cash and cash equivalents in the consolidated statements of financial position and cash flows	1,984,398	1,223,957

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11. CASH AND CASH EQUIVALENTS (continued)

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi (“RMB”) amounted to RMB1,984,398,000 (31 December 2016 (restated): RMB1,223,957,000). The RMB is not freely convertible into other currencies. However, under Mainland China’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods mainly depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

Details of the outstanding balances with related parties included in cash and cash equivalents are set out in note 16 to the interim condensed consolidated financial statements.

12. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2017 (Unaudited)	31 December 2016 (Audited) (Restated)
	RMB’000	RMB’000
Within 1 year	938,183	974,681
1 to 2 years	122,795	137,153
2 to 3 years	27,250	22,579
Over 3 years	1,530	1,532
	1,089,758	1,135,945

Notes to the Interim Condensed Consolidated Financial Statements

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13. OTHER PAYABLES AND ACCRUALS

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) (Restated) RMB'000
Advances from customers	239,239	81,565
Accrued salaries, wages and benefits	4,799	5,630
Dividends payable	243,181	–
Other tax payables	7,690	97,637
Other payables	49,547	51,260
	544,456	236,092

The above amounts are unsecured, non-interest-bearing and have no fixed terms of settlement.

Details of the outstanding balances with related parties included in other payables and accruals are set out in note 16 to the interim condensed consolidated financial statements.

14. ISSUED CAPITAL

The Company was listed on the Main Board of the Hong Kong Stock Exchange on 16 December 2015, and offered 531,900,000 H shares to the public, with a par value of RMB1.00 each. The issued capital as at 30 June 2017 was RMB1,519,884,000 (31 December 2016: RMB1,519,884,000).

Notes to the Interim Condensed Consolidated Financial Statements

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15. COMMITMENTS

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Contracted, but not provided for:		
Property, plant and equipment	95,182	96,189
Other intangible assets	–	1,144
	95,182	97,333

16. RELATED PARTY TRANSACTIONS

- (a) The Group had the following material transactions with related parties during the six months ended 30 June 2017 and 2016:

	For the six months ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
Sales of machines to:		
Fellow subsidiaries	29,530	16,940
Sales of parts and components to:		
Fellow subsidiaries	1,317	1,453
Overhaul services provided to:		
Fellow subsidiaries	–	521
Railway line maintenance services provided to:		
Fellow subsidiaries	961	6,624
Interest income received from:		
A fellow subsidiary	3,158	2,702

Notes to the Interim Condensed Consolidated Financial Statements

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16. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) (Restated) RMB'000
Cash and cash equivalents:		
Deposits in a fellow subsidiary	559,429	167,069
Trade and bills receivables:		
Due from fellow subsidiaries	71,940	69,028
Prepayments, deposits and other receivables:		
Due from fellow subsidiaries	7,118	–
Trade and bills payables:		
Due to fellow subsidiaries	262,811	196,436
Other payables and accruals:		
Due to fellow subsidiaries	8,998	5,989
Dividends payable to CRCC	154,916	–
Dividends payable to fellow subsidiaries	3,162	–
	167,076	5,989
Interest-free other borrowings:		
Due to CRCC	–	105,393

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2017

16. RELATED PARTY TRANSACTIONS (continued)

(c) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
Short-term employee benefits	1,430	2,272
Pension scheme contributions	232	251
	1,662	2,523

17. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) (Restated) RMB'000
Available-for-sale investments:		
Available-for-sale investments	211,741	224,214
Loans and receivables:		
Trade and bills receivables	1,486,154	2,572,634
Financial assets included in prepayments, deposits and other receivables	23,323	21,083
Cash and cash equivalents	1,984,398	1,223,957
Total	3,705,616	4,041,888

Notes to the Interim Condensed Consolidated Financial Statements

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17. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) (Restated) RMB'000
Financial liabilities at amortised cost:		
Trade and bills payables	1,089,758	1,135,945
Financial liabilities included in other payables and accruals	292,728	51,260
Interest-free other borrowings	–	105,393
Total	1,382,486	1,292,598

18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Financial assets				
Trade receivables, non-current portion	153,346	–	153,346	–
Available-for-sale investments	211,741	224,214	211,741	224,214
Total	365,087	224,214	365,087	224,214

30 June 2017

18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Management has assessed that the fair values of cash and cash equivalents, the current portion of trade and bills receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals and interest-free other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair value of the non-current portion of trade receivables has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The non-current portion of trade receivables disclosed at fair value as at the end of the reporting period is categorised within level 2 of the fair value hierarchy.

Available-for-sale investments of the Group measured at fair value as at the end of the reporting period are listed equity investments categorised within level 2 of the fair value hierarchy and the fair values of which are based on quoted market prices, after considering the non-liquidity discount effect.

During the six months ended 30 June 2017, there were no transfers of fair value measurements between level 1 and level 2 and no transfers into or out of level 3 for both financial assets and financial liabilities.

30 June 2017

19. EVENTS AFTER THE REPORTING PERIOD

The Company announced on 3 July 2017 that the Company received a notification from CRCC that CRCC is contemplating the integration of the Company and China Railway Construction Heavy Industry Co. Ltd., a wholly-owned subsidiary of CRCC, and the formation of new China Railway Construction Heavy Industry Co. Ltd. (the “Proposed Integration”). As at the date of this report, the Proposed Integration is still at the planning stage and there is uncertainty on whether or not the Proposed Integration will be implemented.

20. COMPARATIVE AMOUNTS

As stated in Note 2.1, the Company obtained the control over CRCC Yukun through business combinations involving entities under common control during the current period, and hence the comparative information of the condensed consolidated financial statements is restated to include the financial position, financial performance and cash flows of CRCC Yukun. Accordingly, certain comparative information is restated to conform with current period’s presentation and accounting.

21. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements have been authorised for issue by the board of directors on 28 July 2017.

Basic Corporate Information

1	Name in Chinese Name in English	中國鐵建高新裝備股份有限公司 CRCC HIGH-TECH EQUIPMENT CORPORATION LIMITED
2	Authorised representatives	Chen Yongxiang (陳永祥) Law Chun Biu (羅振飆)
3	Joint company secretaries	Ma Changhua (馬昌華) Law Chun Biu (羅振飆)
	Registered office	No. 384, Yangfangwang Jinma Town, Kunming Yunnan Province, China
	Telephone	+86 871 63831988
	Fax	+86 871 63831000
	Website	http://www.crcce.com.cn
	Principal place of business in Hong Kong	23/F, Railway Plaza 39 Chatham Road South Tsim Sha Tsui Kowloon Hong Kong
4	Listing information	H Share The Stock Exchange of Hong Kong Limited Stock Code: 1786 Stock Short Name: CRCCE
5	H share registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong

Basic Corporate Information

6	Legal advisers	Baker & McKenzie 14th Floor, Hutchison House 10 Harcourt Road Central Hong Kong
		Jia Yuan Law Offices F408, Ocean Plaza 158 Fuxing Men Nei Street Xicheng District Beijing, China
7	Auditor	Ernst & Young 22/F, CITIC Tower 1 Tim Mei Avenue Central Hong Kong

Definitions

“Aotongda Company”	Kunming Aotongda Railway Machinery Co., Ltd. (昆明奧通達鐵路機械有限公司), a wholly-owned subsidiary of the Company
“Articles”	the Articles of Association of the Company
“Board” or “Board of Directors”	the board of Directors of the Company
“CG Code”	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 of the Listing Rules
“Company”	CRCC High-Tech Equipment Corporation Limited (中國鐵建高新裝備股份有限公司), a joint stock company incorporated in the PRC
“Company Law” or “PRC Company Law”	Company Law of the People’s Republic of China (中華人民共和國公司法), as amended and adopted by the Standing Committee of the Tenth National People’s Congress on 27 October 2005 and effective on 1 January 2006, as amended, supplemented or otherwise modified from time to time, which was further amended on 28 December 2013 to take effective on 1 March 2014
“CRCC”	China Railway Construction Corporation Limited (中國鐵建股份有限公司), the controlling shareholder of the Company
“CRCC Asset Management”	China Railway Construction Asset Management (HK) Limited (中國鐵建資產管理(香港)有限公司), a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of CRCC
“CRCC Yukun”	CRCC Yukun Limited (鐵建宇昆有限公司), a limited liability company incorporated in Hong Kong
“CRCCG”	China Railway Construction Corporation (中國鐵道建築總公司), the indirect controlling shareholder of the Company
“CRCHI”	China Railway Construction Heavy Industry Co., Ltd. (中國鐵建重工集團有限公司), a wholly-owned subsidiary of CRCC
“Director(s)”	the director(s) of the Company

Definitions

“Ernst & Young”	Ernst & Young (安永會計師事務所)
“Group”	the Company and its subsidiaries
“Guangweitong Company”	Kunming Guangweitong Machinery Co., Ltd. (昆明廣維通機械設備有限公司), a wholly-owned subsidiary of the Company
“H Share(s)”	overseas listed foreign shares in the share capital of the Company with the nominal value of RMB1.00 each, which are subscribed for and traded in HK dollars and are listed on the Hong Kong Stock Exchange
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Kunweitong Company”	Beijing Kunweitong Railway Mechanization Engineering Co., Ltd. (北京昆維通鐵路機械化工程有限公司), a wholly-owned subsidiary of the Company
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
“PRC”	The People’s Republic of China
“Ruiweitong Company”	Beijing Ruiweitong Engineering Machinery Co., Ltd., (北京瑞維通工程機械有限公司), a wholly-owned subsidiary of the Company
“Shareholder(s)”	holder(s) of shares of the Company
“Supervisory Committee”	the supervisory committee of the Company

中國鐵建高新裝備股份有限公司
CRCC HIGH-TECH EQUIPMENT CORPORATION LIMITED